

businesses are intimately familiar with their businesses and the regulatory environment, and who better to provide insights to regulators and lawmakers on how to best provide and promote capital formation and remove unnecessary regulatory barriers and burdens?

Nearly four decades ago, in 1980, Congress recognized the importance of our small-business owners and their having a voice and sharing their recommendations with the SEC, and Congress required the SEC to conduct an annual forum to review the current status and issues surrounding small business capital formation. But while the Commission is required to conduct this forum, its obligation goes no further.

Though the SEC often praises this small business forum and the insights and recommendations from the small business community, the SEC has no obligation to respond to or act on the forum's recommendations and findings and has rarely done so. For example, many of the provisions of the JOBS Act came from recommendations from the small business forum, but it was Congress who had to move forward with these ideas, not the SEC.

This commonsense bill introduced by Mr. POLIQUIN and Mr. VARGAS would require the SEC to formally respond to these recommendations just like they legally have to acknowledge and respond to recommendations from their Investor Advisory Committee. Similar legislation passed the House last Congress by a nearly unanimous vote, and, earlier this year, H.R. 1312 passed the House Financial Services Committee by a unanimous vote.

I urge my colleagues on both sides of the aisle to support this bill, and I thank, again, my good friends from Maine and from California for their hard work on this bipartisan bill that ensures the voice of our small business community is heard.

Mr. Speaker, I reserve the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 1312, a commonsense measure that will ensure the SEC responds to recommendations that will reduce barriers to small businesses' capital formation. Access to capital is the lifeblood of every business. As ranking member of the House Small Business Committee, I hear this on a near daily basis. It is as true today as it was 65 years ago when Congress created the Small Business Administration.

Since that time, Congress has taken steps to better understand the needs of our small businesses and find ways to improve access to capital. In 1980, we created the Government-Business Forum on Small Business Capital Formation at the SEC. This body helps policymakers learn about unnecessary impediments to small business capital formation and address how they can be eliminated or reduced. However, the SEC isn't currently required to act on the forum's recommendations.

The Small Business Capital Formation Enhancement Act changes the SEC's obligation by requiring the Commission to respond to the recommendations made by the annual Government-Business Forum. This bill is modeled after a similar provision in the Dodd-Frank Act requiring the SEC to respond to the recommendation of the Investor Advisory Committee.

However, there are important distinctions between the recommendations of the IAC and the forum. Specifically, the IAC is limited by statute to 23 members. By contrast, the forum is open to all public and private participants. As a result, the IAC has only issued 12 recommendations since its first meeting in 2012. During the same timeframe, the forum issued 98 recommendations.

While I understand the desire to have the SEC respond to each of the forum's recommendations, I would remind my colleagues that the SEC has the important duty to police our financial markets. Therefore, I hope my colleagues will remember these additional duties and set appropriate funding levels for the SEC to ensure agency resources are not being diverted from its crucial examination and enforcement activities.

I would like to thank Mr. POLIQUIN and Mr. VARGAS for crafting this bipartisan bill to ensure that the voice of our small business community is heard.

Mr. Speaker, I urge Members to support this legislation, and I reserve the balance of my time.

Mr. HILL. Mr. Speaker, again, I appreciate the gentlewoman from New York's views and her helpful work on this legislation.

We have lost over the last 20 years some 50 percent of our public companies. When I was getting out of college, one of the great dreams in business would be that you could have a company that was so successful that you could go public. Over the years, obviously that process has made it more and more difficult for our entrepreneurs to pursue their dream of a public company.

So what better way to make sure their voice about our rules, our laws, the process of being public, and the process of registering and disclosing is all made in a way that does not discourage our entrepreneurs and our small-business people from pursuing that dream of going public.

Mr. Speaker, I yield 2 minutes to the gentleman from Maine (Mr. POLIQUIN), my distinguished friend who serves on the House Financial Services Committee and is a gentleman who is a voice for small business at every meeting of the House Financial Services Committee.

Mr. POLIQUIN. Mr. Speaker, I thank the chairman, and I appreciate it very much. I do want to thank the Congresswoman from New York and also Congressman JUAN VARGAS of California who stepped up as the lead cosponsor of this legislation.

As Mr. HILL mentioned a moment ago, about two-thirds of our new jobs in the last decade have been created by small business. This is the bloodstream of our economy, and certainly in Maine, Mr. Speaker, where we are a State and a district of small businesses, this is very particular to my interest.

Those of us who have run small businesses know that one of the biggest challenges you have is how to borrow money—access to capital—because unless you have access to capital and unless you have the funds you need to grow and expand, you can't create new opportunities and new jobs for our kids and our grandkids. So access to capital is absolutely critical when it comes to growing our economy and providing more opportunities for the next generation.

As has already been said today, the SEC holds these annual forums where small-business leaders who are on the ground creating jobs and those in the public sector get together, and they review and explore new ways and better ways to change the regulations and the rules we have in this country such that access to capital is enhanced.

What better idea; what more common sense do we need than to have a bill, H.R. 1312, that I am very proud to sponsor, that requires the SEC to assess every recommendation by this forum every year—not necessarily act upon it, but take it off the shelf, assess it, and determine if action should be taken.

I want to thank all the folks who have participated in our forums over the years, both the public and the private sector, and I ask, Mr. Speaker, that all my colleagues in this House, Republicans and Democrats, please support H.R. 1312.

Ms. VELÁZQUEZ. Mr. Speaker, I yield back the balance of my time.

Mr. HILL. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Arkansas (Mr. HILL) that the House suspend the rules and pass the bill, H.R. 1312, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mr. HILL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

#### U.S. TERRITORIES INVESTOR PROTECTION ACT OF 2017

Mr. HILL. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1366) to amend the Investment Company Act of 1940 to terminate an exemption for companies located in Puerto Rico, the Virgin Islands, and any other possession of the United States.

The Clerk read the title of the bill.  
The text of the bill is as follows:

H.R. 1366

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “U.S. Territories Investor Protection Act of 2017”.

**SEC. 2. TERMINATION OF EXEMPTION.**

(a) **IN GENERAL.**—Section 6(a) of the Investment Company Act of 1940 (15 U.S.C. 80a-6(a)) is amended by striking paragraph (1).

(b) **EFFECTIVE DATE AND SAFE HARBOR.**—

(1) **EFFECTIVE DATE.**—Except as provided in paragraph (2), the amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) **SAFE HARBOR.**—With respect to a company that is exempt under section 6(a)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a-6(a)(1)) on the day before the date of the enactment of this Act, the amendment made by subsection (a) shall take effect on the date that is 3 years after the date of the enactment of this Act.

(3) **EXTENSION OF SAFE HARBOR.**—The Securities and Exchange Commission, by rule and regulation upon its own motion, or by order upon application, may conditionally or unconditionally, under section 6(c) of the Investment Company Act of 1940 (15 U.S.C. 80a-6(c)), further delay the effective date for a company described in paragraph (2) for a maximum of 3 years following the initial 3-year period if, before the end of the initial 3-year period, the Commission determines that such a rule, regulation, motion, or order is necessary or appropriate in the public interest and for the protection of investors.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Arkansas (Mr. HILL) and the gentlewoman from New York (Ms. VELÁZQUEZ) each will control 20 minutes.

The Chair recognizes the gentleman from Arkansas.

**GENERAL LEAVE**

Mr. HILL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous materials on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HILL. Mr. Speaker, I yield myself such time as I may consume.

Today I rise in support of H.R. 1366, the U.S. Territories Investor Protection Act, and I thank my friend and colleague from New York for her exceptional efforts in designing and bringing this bill to us today.

H.R. 1366 repeals a provision in the Investment Company Act of 1940 that exempts investment companies in Puerto Rico, Guam, and other U.S. territories from registering with the Securities and Exchange Commission, the SEC, so that they have to play by the same rules as their mainland counterparts.

When Congress first enacted the Investment Company Act in the 1940s, a nonregistration exemption for investment companies in the noncontiguous territories made a lot of sense as it was extremely expensive and difficult for

the SEC to send staff to travel to these territories and inspect the local companies. In fact, Mr. Speaker, back in the 1940s, Eastern Air Lines bragged of their 6-hour-and-10-minute service between New York and San Juan one way for \$1,700 in today's money. So, in fact, it was challenging to get to the territories.

But with all the significant advances in technology and travel, these logistical barriers no longer exist. As such, this bill repeals this archaic exemption and provides a reasonable and safe harbor to allow those companies currently subject to the exemption to transition.

Similar legislation passed the House in the last Congress by voice vote, and, earlier this year, H.R. 1366 passed the House Financial Services Committee by a unanimous vote.

Mr. Speaker, I urge my colleagues to support this bill, and I reserve the balance of my time.

□ 1700

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 1366, legislation that will close a loophole in our securities laws and better protect the investors and retirees of the U.S. territories.

The Investment Company Act of 1940 governs investment companies, such as mutual funds, closed-end funds, and ETFs. Its purpose is to protect investors and provide oversight of these companies. In doing so, it regulates various transactions among affiliates, sets leverage limits, outlines record-keeping requirements, and describes how securities may be redeemed.

These matters sound technical, but they provide fundamental protections to most U.S. investors. I say “most” because, due to a historical artifact, all funds located in and sold only to residents of U.S. territories are exempted.

The reason is, in 1940, territories like Puerto Rico were considered to be too distant from Washington, D.C. Obviously, modern air travel makes that a nonissue today, as regulators routinely travel to Hawaii and Alaska to conduct oversight. In addition, many of these financial products are now traded electronically, truly eliminating the need to visit in person.

The consequence of exemption falls squarely on the residents of U.S. territories. Investment companies can sell products to them without the important oversight, disclosure, and conflict-of-interest requirements to which mainland companies are subject.

As a result, many investors and retirees have been subject to investment losses, some resulting from behavior that would have been prohibited if the 1940 act applied to the island's investment companies.

To address this matter, H.R. 1366, the U.S. Territories Investor Protection Act, applies the 1940 act to currently exempt investment companies that are

located, organized in, and sold to residents of these territories.

I would like to point out that this bill is identical to legislation that passed the House last Congress twice with overwhelming bipartisan support.

In order to permit investment companies to comply with the legislation, it provides for a 3-year compliance period, with an option, at the approval of the SEC, for an additional 3 years. This time period balances the need to bring the investor protections of the 1940 act to the territories with enough time for affected entities to fully understand and comply with the 1940 act.

It is important to note that if investment companies need further relief from any specific requirement of the 1940 act, they are able to request such relief through the SEC under existing law. Earlier this year, past SEC Chair White testified that the exemption should be removed.

I want to thank Congressman DUFFY and Congressman MACARTHUR, two of my colleagues from the Puerto Rico Task Force, for cosponsoring this bill. I also want to thank Puerto Rico's new Member of Congress, JENNIFFER GONZÁLEZ-COLÓN, for cosponsoring it as well; and Senators HATCH and MENENDEZ, who have put forward a companion bill in the Senate. All of this support means a great deal to me and to those investors on the island.

Finally, I want to thank Chairman HENSARLING and Ranking Member WATERS for working with me throughout the last 2 years in a highly productive manner. We met with stakeholders, heard their concerns, and fine-tuned the bill. I am confident we developed an approach that would apply the 1940 act in a manner that is sensitive to investors and investment companies alike.

Mr. Speaker, I urge Members to support this bill, and I reserve the balance of my time.

Mr. HILL. Mr. Speaker, I yield myself such time as I may consume.

I want to thank my friend from New York for her leadership and her voice on behalf of Puerto Rico and the islands in this regard, and for her long public service and particular leadership in this time of important change in Puerto Rico.

Recently, Mr. Speaker, I had the opportunity to take an all-too-quick trip to San Juan to assess the current economic conditions on the island. It was too brief in that it was less than a day, which seems completely unfair to any visitor to the beautiful island of Puerto Rico.

I want to thank my host, our distinguished delegate from the Commonwealth, JENNIFFER GONZÁLEZ-COLÓN for hosting me on that visit. I thank her for her cosponsorship on this bill and her leadership on the island here in Congress. We are grateful to have her as a new Member of this body.

Mr. Speaker, I yield such time as she may consume to the gentlewoman from Puerto Rico (Miss GONZÁLEZ-COLÓN).

Miss GONZÁLEZ-COLÓN of Puerto Rico. Mr. Speaker, today I rise in support of the U.S. Territories Investor Protection Act. I am a cosponsor of this bill, and I thank Representative VELÁZQUEZ for introducing H.R. 1366 and the Members who have joined in supporting this important legislation.

The U.S. Territories Investor Protection Act will close a loophole in the current law. By passing this bill, Congress will bring to Puerto Rico's investors the same protections enjoyed by investors residing in the 50 States.

Under current law, investment funds that are located and organized in the U.S. territories and sell to only residents of the territories are exempted from the Investment Company Act of 1940, which governs entities, such as mutual and exchange-traded funds.

Because of this exemption, investment companies located in the U.S. territories can sell their products to territory residents while not being subjected to the oversight, disclosure, and conflict-of-interest requirements that govern investment companies located in the States. As a result, investors residing in Puerto Rico and the other territories have experienced investment losses, some of which likely would have been prohibited had the 1940 act applied to the territories.

For example, UBS operating in Puerto Rico served as an adviser to Puerto Rico's Employees Retirement System and, in 2008, led the underwriting of a \$2.9 billion bond issue for the government pension agency. UBS then placed \$1.7 billion of those funds into UBS-managed mutual funds that UBS then sold exclusively to customers on the island. This investment would have been forbidden by the Investment Company Act if these funds were sold in the States.

The Puerto Rican investors holding these bonds have suffered massive losses and are claiming that UBS did not properly disclose the risks of these funds. On the island, hundreds of these customers have filed arbitration claims with the Financial Industry Regulatory Authority and seek more than \$1.1 billion in damages. UBS continues to lose these cases for failing its fiduciary responsibilities.

Today's vote on H.R. 1366 will help end such outrageous investment abuse and gives Congress another opportunity to align the laws governing Puerto Rico and the other territories with the laws governing the 50 States.

H.R. 1366 will remove the territories' exemption and make the Investment Company Act of 1940 apply to companies that are located, organized in, and sell to residents of the territories.

Mr. Speaker, I urge my colleagues to vote in support of H.R. 1366, the U.S. Territories Investor Protection Act.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

Closing the U.S. territories loophole in the Investment Company Act of 1940 will give millions of investors and re-

tirees—mostly in Puerto Rico—the peace of mind that their hard-earned money will receive the same level of protection afforded to those on the mainland.

I want to thank the chairman, the ranking member, and all the cosponsors for their hard work in bringing this bipartisan legislation to the floor.

Mr. Speaker, I urge Members to support this bill, and I yield back the balance of my time.

Mr. HILL. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. MCCLINTOCK). The question is on the motion offered by the gentleman from Arkansas (Mr. HILL) that the House suspend the rules and pass the bill, H.R. 1366.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### FOLLOW THE RULES ACT

Mr. COMER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 657) to amend title 5, United States Code, to extend certain protections against prohibited personnel practices, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 657

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

*This Act may be cited as the "Follow the Rules Act".*

#### SEC. 2. PROHIBITED PERSONNEL ACTION BASED ON ORDERING INDIVIDUAL TO VIOLATE RULE OR REGULATION.

(a) *IN GENERAL.*—Subparagraph (D) of section 2302(b)(9) of title 5, United States Code, is amended by inserting “, rule, or regulation” after “law”.

(b) *TECHNICAL CORRECTION.*—Such subparagraph is further amended by striking “for”.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Kentucky (Mr. COMER) and the gentleman from Virginia (Mr. CONNOLLY) each will control 20 minutes.

The Chair recognizes the gentleman from Kentucky.

#### GENERAL LEAVE

Mr. COMER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on the bill under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. COMER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of H.R. 657, the Follow the Rules Act, introduced by Congressman SEAN DUFFY of Wisconsin.

Less than 1 month ago marked the 28th anniversary of the Whistleblower Protection Act of 1989. That bill was a landmark accomplishment establishing enforcement mechanisms to protect those who help identify waste, fraud, and abuse in the Federal Government. It also protects those who, in good conscience, refuse orders that could violate the law.

Last year, the U.S. Court of Appeals for the Federal Circuit considered the case of Dr. Timothy Rainey. Dr. Rainey, an employee of the State Department, refused an order to violate the Federal Acquisition Regulation.

Dr. Rainey's supervisors subsequently took away his responsibilities as a contracting officer representative. He argued it was because of his refusal to obey the order. Thus, the Federal Circuit considered whether Federal managers can retaliate against employees who refuse to obey an order that would violate a government rule or regulation rather than a statute.

Unfortunately, the Federal Circuit has a record of misinterpreting the law on whistleblowers. That is precisely what happened here. The court held such employees were not protected. Ironically, the court relied on a significant 2015 Supreme Court decision, *DHS v. MacLean*, which reaffirmed the protections of the Whistleblower Protection Act.

The Federal Circuit's decision puts Federal employees in an impossible situation. It forces them to choose between following their superior's orders or following the agency's rules or regulations. In many ways, an agency's rules and regulations are the standing orders of the head of the agency.

My colleague, Representative DUFFY, introduced the Follow the Rules Act to fix this problem. H.R. 657 makes clear that employees are protected from retaliation for disobeying orders that would violate an agency rule or regulation. Refusing to obey such orders is exactly the type of action for which Federal employees should be protected from retaliation.

This legislation has bipartisan, bicameral support. It passed the House by voice vote near the end of the last Congress.

□ 1715

I hope that this legislation will be signed into law this Congress and Federal employees will be protected in trying to do the right thing. I thank Representative DUFFY for his leadership on this issue.

I urge my colleagues to support this bill, and I reserve the balance of my time.

Mr. CONNOLLY. Mr. Speaker, I yield myself such time as I may consume.

When we are going to pass a bill on a bipartisan basis, it might be useful to acknowledge the bill has a Democratic cosponsor. I am proud to be the lead cosponsor with Congressman DUFFY on the Follow the Rules Act—in fact, he asked me to play that role—and I rise